



**OFFICE OF AUDITOR OF STATE**  
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**NEWS RELEASE**

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FOR RELEASE July 23, 2008

Auditor of State David A. Vaudt today released a report on a special investigation of the City of Searsboro for the period July 1, 2000 through October 9, 2006. The special investigation was requested by City officials as a result of alleged misappropriation of City funds. The City Clerk, Diana McVay, submitted her resignation at the October 9, 2006 Council meeting which was effective January 1, 2007. However, the Council terminated her employment effective October 9, 2006. Ms. McVay had been the City Clerk for over 22 years.

Vaudt reported the special investigation identified \$93,574.27 of improper disbursements and undeposited collections. In addition, \$310,746.24 of unsupported disbursements were identified.

The improper disbursements of \$56,843.65 include unauthorized payroll payments to the former City Clerk and her husband, Larry McVay, which totaled \$44,606.83 and \$8,742.10, respectively. In addition, City records show 2 warrants written to the Poweshiek County Engineer's Office for \$425.29 each. Bank images of the warrants show 1 was actually written to Ms. McVay for \$425.29. The improper disbursements also include finance charges, fees and overdraft charges of \$3,069.43.

The earliest improper disbursement identified was a warrant written on July 13, 2000. Because limited records were available, it was not possible to determine if there were additional improper disbursements prior to July 1, 2000.

The \$36,730.62 of undeposited collections include \$28,915.55 of estimated undeposited utility collections and \$7,815.07 of proceeds from fundraising events and Community Center rental which were not properly applied to a City obligation.

Vaudt reported it was not possible to determine if additional utility collections and fundraising proceeds were undeposited for the period prior to July 1, 2000 because limited records were available.

The \$310,746.24 of unsupported disbursements are warrants written from July 1, 2000 to May 28, 2004. Records were not maintained by Ms. McVay to identify the payee or purpose of these payments. As a result, we were unable to determine the propriety of these payments.

The report also includes recommendations to strengthen the City's internal control and overall operations, such as improvements to segregation of duties, establish written accounting policies and procedures, perform an independent review of supporting documentation for disbursements and ensure the timely remittance of payroll withholdings.

Copies of the report have been filed with the Poweshiek County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>.

# # #

**REPORT ON SPECIAL INVESTIGATION  
OF THE  
CITY OF SEARSORO  
  
FOR THE PERIOD  
JULY 1, 2000 THROUGH OCTOBER 9, 2006**

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## Auditor of State's Report

To the Honorable Mayor and  
Members of the City Council:

As a result of alleged improprieties regarding certain disbursements and at your request, we conducted a special investigation of the City of Searsboro. We have applied certain tests and procedures to selected financial transactions of the City for the period July 1, 2000 through October 9, 2006. Based on discussions with City personnel and a review of relevant information, we performed the following procedures.

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Obtained the bank images of certain warrants issued from the City's checking account at First State Bank in Lynnvile and compared the images to the carbon copies of the warrants available at the City to identify any differences in payees or amounts.
- (3) Examined documentation for certain warrants issued from the City's checking account to determine if payments were approved, properly supported and for appropriate purposes.
- (4) Reviewed Council meeting minutes for meetings held between July 1, 2000 and October 31, 2006 for significant actions.
- (5) Compared certain warrants to approved bill listings available at the City or from Council members to identify any differences.
- (6) Compared the financial reports prepared by the former City Clerk, Diana McVay, included in the Council meeting minutes to City records to identify any differences.
- (7) Examined all payroll checks to the former City Clerk and her husband, Larry McVay, to determine if the appropriate number of payroll disbursements had been made and the amounts disbursed were appropriate. Mr. McVay was formerly a maintenance employee for the City.
- (8) Confirmed payments made to the City by the State of Iowa and Poweshiek County to determine if they were properly deposited to the City's accounts.
- (9) Using utility billings and collection records available for the period December 2006 through February 2007, performed analytical procedures to determine if utility collections were properly accounted for and deposited.
- (10) Using records available at the City and the former City Clerk's personal bank account information, attempted to determine if the utility billings for the former City Clerk's personal residence were properly paid.

- (11) Obtained and reviewed the former City Clerk's personal bank statements held at certain financial institutions to identify the source of certain deposits.

These procedures identified \$404,320.51 of improper disbursements, unsupported disbursements and undeposited collections. The \$404,320.51 is composed of the following:

- \$56,843.65 of improper disbursements,
- \$36,730.62 of undeposited collections and
- \$310,746.24 of unsupported disbursements.

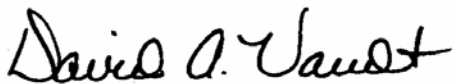
The earliest improper disbursement identified was a check written on July 13, 2000. Because limited records were available, it was not possible to determine if additional improper or unsupported disbursements were made prior to July 1, 2000 or if additional collections were undeposited.

Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **C** of this report.

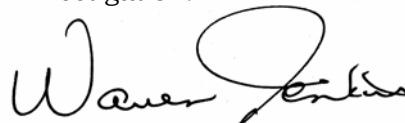
The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the City of Searsboro other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Poweshiek County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the personnel of the City of Searsboro during the course of our investigation.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 6, 2008

City of Searsboro  
Investigative Summary

**Background Information**

The City of Searsboro is in Poweshiek County and has a population of 155. Diana McVay began employment as the part-time City Clerk with the City of Searsboro in April 1984. As the City Clerk, Ms. McVay's duties and responsibilities included:

- 1) Receipts – collections from customers, posting to the accounting records and deposit preparation.
- 2) Disbursements – warrant preparation, signing warrants, distribution and posting to the accounting records.
- 3) Payroll – warrant preparation, signing warrants and posting to the accounting records.
- 4) Utilities – preparation and mailing of billings, payment collection, posting payments to customer accounts and deposit preparation.
- 5) Bank accounts – reconciliation of monthly bank statements to accounting records.
- 6) Reporting – preparation of Council minutes, monthly Treasurer reports and bill listings for Council approval. Also, preparation of quarterly payroll reports, annual financial reports for the Iowa Department of Transportation (DOT) and Annual Financial Reports for the Office of Auditor of State.

In addition, Ms. McVay sorted mail, composed letters and responded to inquiries from State officials and residents of Searsboro. The City's bank accounts maintained by Ms. McVay included a checking account and savings accounts at First State Bank in Lynnvile. Warrants, which are similar to checks, were used to make disbursements from the City's checking account. The City also held certificates of deposit.

According to City officials we spoke with, Ms. McVay was not required to keep the City's records at the City Clerk's office in the Community Center prior to 2003. Instead, she was allowed to perform the Clerk's duties and maintain City records at her personal residence. In addition, she was not required to keep any office hours at the Community Center. The City officials stated the only time Ms. McVay was required to be at the Community Center prior to 2003 was during Council meetings.

According to the City officials, beginning in approximately mid-2003, the Council required Ms. McVay to establish set hours she would work at the Community Center, which were to include at least 1 evening per week so she would be readily available to answer questions from citizens.

The City Clerk's husband, Larry McVay, was also a part-time employee of the City. While the City officials we spoke with were not sure when he was hired, they estimated he was hired by the City prior to 1997. Mr. McVay's position was Sanitary Sewer Operator and his responsibilities included maintenance of the City's sewer plant and mowing City property.

The City's primary revenue sources include road use tax from the State of Iowa and property taxes collected by Poweshiek County and remitted to the City. Revenue is also received throughout the year from utility collections for sewer and garbage fees assessed to each household and business. The City also collects fees for the rental of the Community Center. In

addition, fees are collected from Washington Township and Sugar Creek Township for fire protection provided by the City of Searsboro. All collections are to be deposited to the City's bank accounts.

All City disbursements are to be approved by the Council prior to payment. Prior to each monthly Council meeting, Ms. McVay prepared a bill listing for the Council's approval. The Council approved the bills from the listing and did not review individual invoices unless there was a question regarding a specific item.

The disbursements were made with warrants prepared by Ms. McVay. The warrants were to be signed by both Ms. McVay and the Mayor. According to the Mayor, Ms. McVay prepared the warrants before each Council meeting. The disbursements were approved by the Council during the meeting and he signed the warrants after the meeting. The warrants were then mailed to the City's vendors by Ms. McVay.

For each warrant prepared by Ms. McVay, a carbon copy of the warrant should have also been simultaneously prepared. However, according to a Council member we spoke with, the carbon copies were not reviewed by anyone independent of their preparation. In addition, the carbon copies were not compared to the actual warrants or the City's monthly bank statements.

According to City officials we spoke with, the Council placed Ms. McVay on probation several times from 2003 through 2006 as a result of concerns regarding her job performance. According to the Mayor, the concerns were discussed during at least 3 closed sessions and 3 public meetings of the Council. Concerns included:

- Utility collections were not deposited in a timely manner.
- The City received notifications from various State agencies regarding delinquent or unsubmitted required documents, such as:
  - unemployment tax reports from Iowa Workforce Development,
  - sales tax reports and remittances from the Iowa Department of Revenue,
  - annual financial reports from the Iowa Department of Transportation and
  - Annual Financial Reports from the Office of Auditor of State.
- Notices received by the City for late and/or unpaid bills.
- Overdraft charges.

The notices regarding the unpaid bills and overdraft charges were identified by Council members in September 2006. According to a City Official we spoke with, the Council received recommendations from the City Attorney, the County Attorney and the County Treasurer in October 2006 regarding the need to replace the City Clerk.

At the October 9, 2006 Council meeting, Ms. McVay submitted her resignation which was effective January 1, 2007. The resignation letter also stated she was willing to help "who ever takes over the clerk's job." Rather than accept Ms. McVay's resignation, the Council terminated her employment, citing such reasons as violation of probation conditions, delinquent State reports and not informing the Council of critical financial issues. The Council requested Ms. McVay bring any City records in her possession to the Community Center. On October 16, 2006, the Council held a special meeting. During the meeting, Mr. McVay's employment was terminated for failing to mow the sewer lagoons.

Because the Council had not yet received the City's records in Ms. McVay's possession, a certified letter was sent to Ms. McVay on October 17, 2006 requesting all City records in her possession be turned over to the Council by October 24, 2006. Ms. McVay signed for the letter on November 4, 2006 and the Mayor subsequently found a compact disc which had been



placed in the drop box at the Community Center and a box of City documents left in his personal vehicle. The disc contained a handwritten label which stated "city records." According to the Mayor, he believed the box and the disc were left by Ms. McVay.

As a result of the concerns identified, the City requested the Office of Auditor of State conduct an investigation of the City's financial transactions. We performed the procedures detailed in the Auditor of State's Report for the period July 1, 2000 through October 9, 2006.

### **Detailed Findings**

These procedures identified \$404,320.51 of improper disbursements, unsupported disbursements and undeposited collections. The \$404,320.51 is composed of the following:

- \$56,843.65 of improper disbursements,
- \$36,730.62 of undeposited collections and
- \$310,746.24 of unsupported disbursements.

The earliest improper disbursement identified was a check written on July 13, 2000. Because limited records were available, it was not possible to determine if additional improper or unsupported disbursements were made prior to July 1, 2000 or if additional collections were undeposited. All findings are summarized in **Exhibit A** and a detailed explanation of each finding is included in the following pages.

The records available in the City Clerk's office at the Community Center were very limited. We reviewed the records available in the office and those from the box found in the Mayor's truck. We also reviewed the information on the compact disc left in the drop box but did not locate any useful financial information on it.

The documentation available included some invoices, limited listings of utility billings and collections and a limited number of bank statements and carbon copies of warrants drawn on the City's checking account. We were unable to locate any receipt books or records of collections.

Because limited records were available from the City, we were unable to identify a number of the City's financial transactions. As a result, we obtained copies of certain bank records directly from the City's bank with the assistance of City officials.

- For 1 of the City's savings accounts, we obtained and reviewed bank statements for the period July 1, 2000 through December 31, 2006.
- For the City's 2 remaining savings accounts, we obtained and reviewed bank statements for the period January 1, 2002 through December 31, 2006.
- For the City's checking account, we obtained and reviewed bank statements for the period July 1, 2000 through October 31, 2006. In addition, we were able to review images of all warrants redeemed from the account during the period May 29, 2004 through October 31, 2006. Using the bank's records and equipment at First State Bank, a staff member from the Office of Auditor of State was also able to view images of certain checks redeemed from July 1, 2000 through May 28, 2004. We determined it was cost prohibitive to review copies of all warrants redeemed during this period.

Because images of all warrants redeemed prior to May 29, 2004 were not available, we were unable to determine the payees on all warrants issued. We were also unable to prepare a complete listing of warrants issued by the City using the carbon copies which should have been prepared when the warrants were written. As stated previously, only a limited number of

carbon copies were available at the City. In addition, we have no assurances the carbon copies accurately reflect the actual warrant.

Using the records obtained from the bank and the limited number of records available from the City, we compiled the City's financial transactions to the extent possible. Our findings are summarized in the following sections of this report.

## **IMPROPER AND UNSUPPORTED DISBURSEMENTS**

While the bank statements obtained from the bank provided a listing of all disbursements from the City's accounts, the information provided was not always complete. As previously stated, we were able to review images of each warrant redeemed between May 29, 2004 and October 31, 2006. However, we were able to review images of only certain warrants redeemed prior to May 29, 2004. In addition, the bank statements did not always document the warrant number of each disbursement. For some disbursements, we were only able to determine the dollar amount and date the warrant cleared the City's account.

Using the bank statements, images of redeemed warrants available from the bank and carbon copies of warrants, we were able to prepare a warrant listing. We used the listing to analyze disbursements by amount and date. By reviewing the warrant images and carbon copies, discussing the disbursements with City officials and performing our analysis, we identified improper disbursements. We also identified disbursements which appeared appropriate for City operations, unsupported disbursements and disbursements for which we were unable to determine the public purpose served by the disbursement. Each of these disbursements are addressed in detail in the following paragraphs.

### **Improper Disbursements**

The improper disbursements we identified are summarized in **Table 1** by fiscal year where possible. Because we could not determine the fiscal year of the improper finance charges and fees identified, they are included in the **Table** in total. As illustrated by the **Table**, we did not identify any improper payments to the McVays or overdraft charges in fiscal year 2007.

**Table 1**

<b>Fiscal Year</b>	<b>Improper Payments to</b>			<b>Total</b>
	<b>Diana McVay</b>	<b>Larry McVay</b>	<b>Overdraft Charges</b>	
2001	\$ 8,967.02	700.00	-	9,667.02
2002	9,145.59	3,300.00	-	12,445.59
2003	8,519.27	2,100.00	-	10,619.27
2004	8,443.42	600.00	-	9,043.42
2005	8,487.68	1,600.00	144.00	10,231.68
2006	1,469.14	442.10	234.00	2,145.24
Subtotal	\$ 45,032.12	8,742.10	378.00	54,152.22
Finance charges and fees				2,691.43
Total				\$ 56,843.65

For some of the improper warrants issued to the McVays, we observed the related carbon copy of the warrant. From the carbon copies available for our review, we determined the amount recorded on the carbon copy by Ms. McVay was less than the amount of the actual warrant. However, the amount on the carbon copy agreed with the bill listings available for our review.

**Warrants Issued to Diana McVay** – As stated previously, Ms. McVay was hired as City Clerk by the City in August 1984. The Council initially established her authorized monthly salary at \$100.00 but subsequently increased it to \$200.00. We were unable to locate any records or minutes from a Council meeting which document when Ms. McVay’s authorized monthly salary increased. However, according to City officials we spoke with, Ms. McVay’s authorized salary has been \$200.00 per month “for as long as they can remember.”

Using the bank records available, we identified 76 warrants issued to Ms. McVay between July 1, 2000 and October 9, 2006 which total \$59,606.83. The warrants are listed in **Exhibit B** and summarized in **Table 2** by fiscal year.

<b>Table 2</b>			
<b>Fiscal Year</b>	<b>Amount Paid</b>	<b>Authorized Amount</b>	<b>Improper Amount</b>
2001	\$ 10,941.73	2,400.00	8,541.73
2002	11,545.59	2,400.00	9,145.59
2003	10,919.27	2,400.00	8,519.27
2004	10,843.42	2,400.00	8,443.42
2005	10,887.68	2,400.00	8,487.68
2006	3,869.14	2,400.00	1,469.14
2007	600.00	600.00	-
Total	\$ 59,606.83	15,000.00	44,606.83

As illustrated by the **Exhibit**, a number of the warrants issued to Ms. McVay significantly exceed the gross amount of her authorized monthly salary. In addition to Ms. McVay’s regular monthly salary, she may have also been reimbursed for certain costs incurred on behalf of the City, such as mileage and supplies. According to City officials, documentation of Ms. McVay’s costs should have been submitted and approved by the Council. The Mayor stated Ms. McVay seldom requested reimbursements because she did not frequently incur mileage for City business or make purchases on behalf of the City.

**Exhibit B** also includes Ms. McVay’s payments included on the bill listing provided to the Council for its approval. As the City Clerk, it was Ms. McVay’s responsibility to prepare the bill listing each month. As illustrated by the **Exhibit**, the amounts included on the bill listings for Ms. McVay were typically slightly over \$200.00 per month. While not specifically documented in any manner, it appears the difference between the amount shown on the listing and Ms. McVay’s authorized monthly salary amount of \$200.00 was for reimbursement of costs incurred by Ms. McVay. However, the monthly reimbursements are contradictory to the Mayor’s statement Ms. McVay seldom requested reimbursements because she did not frequently incur mileage or make purchases on behalf of the City.

Also as illustrated by **Exhibit B**, the amount of the warrant issued to Ms. McVay was frequently \$900.00 plus the amount shown on the bill listing for Ms. McVay which exceeded \$200.00. However, we identified 12 instances in which the amount of the warrant issued to Ms. McVay was even greater than the sum of \$900.00 and the amount shown on the bill listing for Ms. McVay which exceeds \$200.00. The 12 instances are identified in the **Exhibit**.

Because Ms. McVay reportedly seldom incurred costs on behalf of the City, did not submit documentation for any expenses she incurred and the amounts she “reimbursed” herself periodically differed from the amounts shown on the bill listings, we did not consider any reimbursements to Ms. McVay to be proper.

As illustrated by **Exhibit B** and **Table 2**, we compared the warrants issued to Ms. McVay to her authorized monthly salary. For the period July 1, 2000 through October 9, 2006, Ms. McVay should have received 75 monthly payroll warrants for which her gross pay should have totaled \$15,000.00 rather than the \$59,606.83 she received. The \$44,606.83 improperly paid to Ms. McVay is included in **Exhibit A**. In addition, copies of selected warrants issued to Ms. McVay are included in **Appendix 1**.

As illustrated by **Exhibit B**, 62 of the 76 warrants identified were for more than \$900.00 and 13 warrants were for slightly more than \$200.00. The remaining warrant was issued for \$300.00 and was dated August 13, 2001, the same day another warrant was issued to Ms. McVay for \$904.16. It appears the \$300.00 warrant was for something other than payroll. However, we are unable to determine what the warrant was for because supporting documentation could not be located. Ms. McVay signed each warrant issued to her. Each warrant was also countersigned by a City official. The City officials we spoke with were unable to explain why they countersigned checks for more than Ms. McVay’s authorized salary.

Also as illustrated by the **Exhibit**, the warrant issued to Ms. McVay in July 2000 was for \$905.25 although Ms. McVay’s authorized gross salary was only \$200.00. It is likely there were additional improper payments issued to Ms. McVay prior to July 2000. However, we are unable to identify any specific improper payments prior to July 1, 2000 because records are not readily available from the City or the bank.

City officials we spoke with stated they began to hold Ms. McVay more accountable for her actions as Clerk when they identified concerns about her job performance. Some of the concerns were identified during the beginning of fiscal year 2006. For the months September 2005 through September 2006, each warrant to Mr. and Ms. McVay was for the authorized salary amount.

During our review of the City’s bank statements, we also reviewed the dates the warrants issued to Ms. McVay cleared the City’s bank account. None of the warrants identified were redeemed prior to the related monthly Council meeting.

We spoke with a representative of Iowa Workforce Development (IWD) and obtained copies of quarterly wage reporting records for calendar years 2001 through 2006. According to the IWD representative we spoke with, the City reported \$13,800.00 of wages for Ms. McVay from January 2001 through October 2006. Except for the period July through December 2006, each of the quarterly reports submitted for the City included Ms. McVay’s name as the signer. The amount of wages reported by the City to IWD are summarized in **Table 3**. The amounts reported to IWD agree with Ms. McVay’s authorized salary.

**Table 3**

<b>Fiscal Year</b>	<b>Salary Reported to IWD</b>
2001**	\$ 1,200.00
2002	2,400.00
2003	2,400.00
2004	2,400.00
2005	2,400.00
2006	2,400.00
2007	600.00
Total	\$ 13,800.00

\*\* - Information for the first two quarters of fiscal year 2001 is not available from IWD.

**Warrants Issued to Larry McVay** - As stated previously, Mr. McVay was employed by the City as the Sanitary Sewer Operator until October 16, 2006. We were unable to locate any minutes from a Council meeting or other records which document Mr. McVay's authorized salary. However, according to the Council members we spoke with, his authorized monthly salary was \$100.00. During our review of the bill listings presented to the Council, we confirmed the Council approved \$100.00 monthly salary payments to Mr. McVay.

Using the bank records available, we identified 74 warrants issued to Mr. McVay between July 1, 2000 and October 9, 2006 which total \$16,242.10. The warrants are listed in **Exhibit C** and summarized in **Table 4** by fiscal year.

**Table 4**

<b>Fiscal Year</b>	<b>Amount Paid</b>	<b>Authorized Amount</b>	<b>Improper Amount</b>
2001	\$ 1,900.00	1,200.00	700.00
2002	4,500.00	1,200.00	3,300.00
2003	3,300.00	1,200.00	2,100.00
2004	1,800.00	1,200.00	600.00
2005	2,800.00	1,200.00	1,600.00
2006	1,642.10	1,200.00	442.10
2007	300.00	300.00	-
Total	\$ 16,242.10	7,500.00	8,742.10

As illustrated by **Exhibit C** and **Table 4**, we compared the warrants issued to Mr. McVay to his authorized monthly salary amount. For the period July 1, 2000 through October 9, 2006, Mr. McVay should have received 75 monthly payroll warrants for which his gross pay should have totaled \$7,500.00. In addition, he received 1 authorized reimbursement for \$47.00. The 74 warrants identified totaled \$16,242.10. **Exhibit A** includes the improper payments to Mr. McVay of \$8,742.10. In addition, copies of selected warrants issued to Mr. McVay are included in **Appendix 2**.

As illustrated by the **Exhibit**, 43 warrants issued to Mr. McVay exceeded the gross amount of his authorized monthly salary. According to City officials we spoke with, Mr. McVay did not frequently request reimbursements in addition to his salary because he did not typically make purchases on behalf of the City. We identified 1 payment to Mr. McVay which appeared to include a reimbursement. At the November 12, 2005 Council meeting, the Council approved a \$147.00 check to Mr. McVay. However, the warrant issued to Mr. McVay on November 15, 2005 was for only \$142.10. The amount paid to Mr. McVay in excess of his \$100.00 monthly salary was not supported by documentation of any expenses he incurred on behalf of the City.

We are unable to determine if there were additional improper amounts paid to Mr. McVay prior to July 2000 because records are not readily available from the City or the bank.

We reviewed copies of the quarterly wage reporting records submitted to IWD for calendar years 2001 through 2006 and determined Mr. McVay's wages were not included until the third quarter report for 2005. On that report and subsequent ones prepared by Ms. McVay, Mr. McVay's wages were reported as \$300.00 per quarter.

Mr. McVay's payroll warrants were signed by Ms. McVay and a City official. As illustrated by **Exhibit B**, each warrant Ms. McVay prepared for herself between July 1, 2000 and October 9, 2006 exceeded her authorized salary amount. However, **Exhibit C** illustrates only a portion of the warrants she prepared for Mr. McVay exceeded his authorized salary. However, all of the warrants Ms. McVay prepared for herself and her husband for the months of September 2005 through September 2006 were for the authorized amounts.

Based on our examination of the images of the warrants issued to Mr. McVay, it appears some of the warrants may not have been endorsed by Mr. McVay. As stated previously, copies of selected warrants issued to Mr. McVay are included in **Appendix 2**.

**Additional Warrant to Diana McVay** – As stated previously, a carbon copy of each warrant prepared by Ms. McVay should have been prepared. However, according to a Council member we spoke with, the carbon copies were not reviewed by anyone independent of their preparation.

During our review of the bank statements from the City's checking account, we identified 2 warrants which were redeemed within a week of each other. According to the bank statement, warrant numbers 5388 and 5392 were both redeemed for \$425.29 on April 25, 2001 and April 18, 2001, respectively.

Using the records available at the City, we identified the carbon copies which appeared to be related to the warrants. Copies of the carbon copies are included in **Appendix 3**. As illustrated by the **Appendix**, the carbon copies show both warrants were issued to the Poweshiek County Engineer's Office. We spoke with a representative of the Engineer's Office who confirmed 1 warrant was received and deposited by the Office. However, they had no record of a second warrant for the same amount.

Because images of the warrants could not be printed by the City's bank, we requested a bank representative observe an image of both warrants to confirm they were actually issued to the Poweshiek County Engineer's Office and determine the endorsement contained on the back of the warrants. The bank representative who observed the images of the warrants confirmed warrant number 5392 was issued to and endorsed by the Poweshiek County Engineer's Office. However, warrant number 5388 was actually issued to and endorsed by Ms. McVay. Because the bank was unable to print images of the warrants, we are unable to include copies of the redeemed warrants in our report. The \$425.29 warrant issued to Ms. McVay has been included in **Exhibit A**.

We also scanned the bank statements for the City's checking account to identify additional warrants redeemed for the same amount. With the assistance of the City's bank, we determined the additional warrants identified were not improper payments.

**Finance Charges and Fees** – We confirmed payments made by the City to several vendors. When we reviewed the information provided by the vendors, we identified several occasions when finance charges, late fees and legal fees were assessed to the City. The charges and fees identified are summarized in **Table 6**. As illustrated by the **Table**, the fees paid by the City total \$2,691.43. This amount has been included in **Exhibit A**.

**Table 6**

<b>Vendor</b>	<b>Finance Charges and Late Fees</b>	<b>Legal Fees</b>	<b>Total</b>
McGriff Corporation	\$ 16.00	-	16.00
Poweshiek Water Association	72.74	-	72.74
Arnold Motor Supply	24.09	-	24.09
Bill Moes Plumbing, Heating and Air Conditioning	2,511.10	67.50	2,578.60
Total	\$ 2,623.93	67.50	2,691.43

As illustrated by the **Table**, \$2,511.10 of finance charges and late fees and \$67.50 of legal fees were paid to a plumbing, heating and air conditioning vendor. The fees are associated with \$5,981.27 of pump repairs made by the vendor for the City in May 2005 and a previous balance for services of \$994.00. We were unable to locate the original invoice at the City. However, a copy was obtained from the vendor. According to Council minutes, a new pump was ordered for the City's lift station during the spring of 2005. The invoice obtained states past due accounts will be assessed a 1.5% finance charge per month. Because the balance due to the vendor was unpaid for 24 months, finance charges of \$2,511.10 accrued. Legal fees were also assessed because the vendor pursued legal action against the City to collect payment. The City has satisfied the obligation to the vendor.

**Bank Overdraft Charges** – When we reviewed the bank statements for the City's checking account, we identified 25 overdraft charges which totaled \$378.00. The overdraft charges are summarized in **Table 7** by fiscal year. As illustrated by the **Table**, the overdrafts were incurred during fiscal years 2005 and 2006. We did not identify any overdrafts in fiscal years 2002, 2003, 2004 or 2007. Because only a limited number of overdrafts were identified in 2001, they have not been included in this report.

**Table 7**

<b>Fiscal Year</b>	<b>Number of Bank Overdrafts</b>	<b>Bank Overdraft Charges</b>
2005	12	144.00
2006	13	234.00
Total	25	\$ 378.00

The overdrafts occurred because of the improper disbursements from the City's checking account. Because the overdraft charges were the result of the improper disbursements from the checking account, the overdraft charges of \$378.00 are included in **Exhibit A** as improper disbursements.

## Unsupported Disbursements

As stated previously, a significant number of disbursements from the City's checking account were not supported by invoices, receipts or other appropriate documentation. In fact, only a very limited number of disbursements were supported by documentation prepared by the vendor.

By reviewing images of warrants redeemed from the City's checking account after May 28, 2004, we identified the payee for the warrants drawn on the City's checking account. By analyzing the payees, amounts and frequency of the payments, reviewing the approved bill listings and discussing the payments with City officials, we determined the disbursements were reasonable for the City's operations, with the exception of the warrants previously identified as improper and disbursements which may not meet the test of public purpose. These disbursements are addressed in the next section of this report. The disbursements which appear reasonable have not been included in **Exhibit A**.

However, for warrants redeemed from the City's checking account on or before May 28, 2004, we were not able to definitively determine the payee because the bank statements did not include images of the warrants. For a number of the disbursements, we were able to compare the amount of the warrant shown on the bank statement to the approved bill listing and/or a carbon copy of the warrant. Both the approved bill listings and carbon copies would have shown a payee. However, because both the carbon copies and the bill listings were prepared by Ms. McVay, we were not able to assure ourselves the payee was properly recorded.

For example, as illustrated by **Appendix 1**, the carbon copy of warrant number 6479 prepared by Ms. McVay showed \$203.60 was issued to her for payroll. However, warrant number 6479 was actually issued for \$903.60. As illustrated by **Exhibit B**, Ms. McVay recorded the disbursement in the bill listing as a \$203.60 payment. While the payee on the image of the warrant, carbon copy of the warrant and the bill listing all agreed, the amount did not. Likewise, Ms. McVay could have the amount agree on all 3 documents but have a different payee on the actual warrant than what was recorded on the carbon copy and the bill listing.

We have no assurance the disbursements on the bank statements for the period prior to May 29, 2004 were issued to the payees recorded by Ms. McVay on the carbon copies and the bill listings. As a result, since it was cost prohibitive to review copies of all warrants, we cannot provide any assurance any of these warrants redeemed from the City's account prior to May 29, 2004 are proper. The warrants redeemed from the City's checking account between July 1, 2000 and May 29, 2004 total \$370,285.47. Of that amount, we determined \$43,345.36 was issued to Ms. McVay and \$11,300.00 was issued to Mr. McVay. In addition, we were able to identify warrants totaling \$4,893.87 which were issued to other vendors for purposes we have determined to be reasonable based on images viewed on microfiche at the City's bank or through discussions with a representative from the bank. Improper payments to Mr. and Ms. McVay, including any identified prior to May 29, 2004, have previously been included in **Exhibit A**. Because adequate records were not available from the City or readily available from the bank and City officials were unable to determine what the payments were for, we are unable to determine the propriety of the remaining \$310,746.24. As a result, this amount has been included in **Exhibit A** as unsupported disbursements.

## Public Purpose

During our review of the City's disbursements, we identified \$381.25 of payments which may not meet the test of public purpose. Of these payments, 2 were included on the bill listings presented to the Council. According to City officials, the Council was aware the City sometimes made payments for flowers and memorials, but did not document any consideration of the public purpose served. The payments are listed in **Table 9**.



**Table 9**

<b>Payee</b>	<b>Warrant Number</b>	<b>Date Warrant Cleared</b>	<b>Warrant Amount</b>
#Bates Flowers	<i>unknown</i>	11/17/00	\$ 26.25
Lynnville Bank (cash for decorations and soup supper)	5334	02/07/01	200.00
#Bates Flowers	5910	05/15/03	20.00
Hoffstetter Memorial Fund	6097	01/19/04	50.00
#Bates Flowers	6290	12/01/04	35.00
Sheriff Arthur Memorial	6507	10/28/05	50.00
Total			<u>\$ 381.25</u>

# - Payment to vendor included in disbursement listing approved by Council.

### UNDEPOSITED COLLECTIONS

During her tenure as City Clerk, all of the City's collections would have been submitted to Ms. McVay. She picked up all of the City's mail from the Post Office and opened it. She was also responsible for the preparation and deposit of all collections. According to City officials we spoke with, an initial listing of receipts was not prepared. However, all checks received by the City were to be endorsed upon receipt and deposited intact.

**Utility Collections** - As previously stated, Ms. McVay had sole responsibility for billing and collection of the sewer and sanitation utilities. During the period of our review, each residence and business was to be billed a flat monthly fee for sewer and sanitation services. The fees are summarized in **Table 10**.

**Table 10**

<b>Time Period</b>	<b>Sewer Services</b>	<b>Sanitation Services</b>	<b>Tax</b>	<b>Total</b>
07/01/00 – 07/31/05	\$ 16.12	7.50	1.42	25.04
08/01/05 – 06/30/06	19.35	7.50	1.61	28.46
07/01/06 – 09/30/06	21.21	7.50	1.73	30.44

According to City officials, utility collections were received through a drop box, the City's Post Office box or in person at the Community Center. City officials stated the drop box was at Ms. McVay's residence until sometime in 2005. The Council had the drop box moved to the Community Center after they began to receive complaints from citizens that payments were not being posted to their accounts.

City officials were able to locate only a limited number of utility billings and collection records. Delinquent account listings, as well as reconciliations between the monthly billings and collections, could not be located and we are unable to determine if Ms. McVay prepared reconciliations. Also, electronic files of utility transactions could not be located on the City's computer located at the Community Center. City officials stated Ms. McVay kept all utility records on her personal computer and records were not submitted to the City as requested when Ms. McVay's employment was terminated.

During our fieldwork, lists of addresses to which utility billings were to be sent were found for the months of June 2001, March 2006 and August 2006. The information presented in the lists varied significantly. For example, the June 2001 list included 92 residences and businesses. However, the March 2006 list included only 65 residences and businesses. We were unable to locate any documentation to explain the decrease in the number included on the March 2006 list. In addition, City officials we spoke with could not provide an explanation. According to City officials, the number of residences and businesses remained relatively steady during the period of our review.

We reviewed the lists with the acting City Clerk and determined numerous revisions were necessary to properly update the most recent list located. For instance, the most recent list did not include 15 residences which should have been previously billed. The list also included residents who had passed away.

Because records were not maintained to document the number of residences which were billed for utility services each month, it was necessary to estimate a reasonable number of residences and businesses. Water provided to residences and businesses in the City is purchased from the Poweshiek Water Association. According to a representative of the Association, the number of customers receiving water in the City changed very little from 2000 to 2008. During this period, the minimum number of customers was 65 and the maximum was 68. In 2001, when the City's bill listing showed 92 residences and businesses, the number of customers according to the Poweshiek Water Association's records was 65. The difference in the number of customers between the Association and the City can be explained by Association customers, such as Searsboro Manor, who have more than 1 account established with the City for utility services. For example, Searsboro Manor has 13 customer accounts for the City, but only 2 customer accounts for Poweshiek Water Association.

According to the current City Clerk, she currently prepares 86 utility billings each month for the residences and businesses in the City. Because the number of residences and businesses in the City and the number of Association customers have remained relatively unchanged during and since the period of our review, we determined 86 was a reasonable estimate of the number of billings Ms. McVay should have sent on a monthly basis.

To estimate the amount Ms. McVay should have billed the residences and businesses each month, we multiplied the 86 estimated customers by the City's monthly utility fee. We also allowed for an 8% delinquency rate. According to the current City Clerk, the delinquency rate was approximately 26% in mid-2008. Based on our observations, the delinquency rates in cities similar to Searsboro typically range from 5% to 10%. It is possible Searsboro's current delinquency rate is significantly higher because of improper billings sent by Ms. McVay, billings which should have been sent but weren't and the lack of follow up by Ms. McVay on unpaid utility fees. It has taken the current City Clerk and city officials considerable effort and time to update the utility records.

We compared the estimated amount Ms. McVay should have billed the residences and businesses each month to the amounts actually deposited to the City's checking account. The deposits to the checking account were determined by reviewing the City's bank statements and eliminating any other known sources of revenues, such as taxes from the State and Poweshiek County. The comparison is illustrated in **Table 11** by fiscal year. As illustrated by the **Table**, the estimated billings exceed the amounts actually deposited during the period of our review by \$28,915.55.

**Table 11**

<b>Fiscal Year</b>	<b>Estimated Utility Billings</b>	<b>Amounts Deposited</b>	<b>Estimated Undeposited Collections</b>
2001	\$ 23,547.06	19,206.80	4,340.26
2002	23,547.06	16,982.88	6,564.18
2003	23,547.06	19,944.51	3,602.55
2004	23,547.06	18,919.97	4,627.09
2005	23,771.32	19,524.03	4,247.29
2006	27,022.01	21,661.55	5,360.46
2007*	7,223.48	7,049.77	173.71
Total	\$ 152,205.06	123,289.51	28,915.55

\* - Through September 30, 2006

As a result of the lack of records available at the City, we are unable to determine what portion of the amount shown in **Table 11** is a result of Ms. McVay not billing residences and businesses which should have been billed, not following-up on delinquent accounts and/or not depositing collections for accounts that were billed and subsequently paid. Each of these functions was Ms. McVay's responsibility as the City Clerk. The \$28,915.55 has been included in **Exhibit A**.

During our review of the 3 month's utility bill listings found at the City, we determined Mr. and Ms. McVay's residence was not included on all 3 listings. According to online records available from the Poweshiek County Assessor's Office, Mr. and Ms. McVay purchased their Searsboro residence in December 1979. They should have been billed and paid for services each month. When we reviewed Mr. and Ms. McVay's personal bank records, we did not identify any payments to the City for utility services. When we spoke with City officials about utility billings and collections, they reported 2 families routinely pay cash for their utility services. However, the McVays were not 1 of the families mentioned. The amount of billings for the McVay residence is included in the estimated amounts illustrated in **Table 11**.

**Community Center Rental and Fundraising** - During 1999 and 2000, a Community Center was constructed. According to the Mayor, the project was funded largely by donations and grants. However, when the construction was completed, the project was over budget and donations had begun to decrease. According to the September 12, 2000 Council minutes, because the City still owed the contractor, the Council approved obtaining funding, not to exceed \$20,000.00, from the City's bank.

Based on the documentation available for our review, it appears the bank issued the City an anticipatory warrant to satisfy the obligation to the contractor. However, the transaction has been handled as an interest-free long-term loan which does not have specific repayment terms.

According to a bank representative, it was his understanding an unpaid warrant can be utilized when a municipality is short on funds. Section 384.10 of the *Code of Iowa* states, in part, "A city may negotiate short-term loans, and may issue warrants (known as anticipatory warrants) as provided in chapter 74, in anticipation of and not in excess of its estimated revenues for the current fiscal year." Anticipatory warrants are designed to provide emergency or short-term financing for governmental entities and are not designed to be used as a long-term debt financing instrument. Additionally, section 74.5 of the *Code of Iowa* states, in part, "When a fund contains sufficient money to pay one or more interest-bearing obligations which are outstanding against the fund, the treasurer shall call those obligations for payment."

According to City officials we spoke with, the City planned to satisfy the obligation to the bank with fees generated from renting the Community Center to citizens and groups. In addition, proceeds from fundraising events held during the City's 125<sup>th</sup> Celebration and when the Register's Annual Great Bike Ride Across Iowa (RAGBRAI) traveled through the City were to be applied to the loan.

Using records from the bank, we determined a \$4,000.00 payment was made in July 2001. According to City officials, this payment appears to be the proceeds from the RAGBRAI event. In addition, \$3,000.00 was paid in November 2001 with proceeds from the 125<sup>th</sup> Celebration. According to bank records, no payments were made from December 2001 through February 2005.

Bank records also show private donations were applied to the loan. The minutes from the February 2006 Council meeting document the Council decided to pay \$100 per month on the loan. We determined, with the exception of September 2006, at least \$100 was paid on the loan each month, beginning in February 2006. **Table 12** summarizes the payments made on the loan by fiscal year.

<b>Table 12</b>			
<b>Fiscal Year</b>	<b>Payments Reported by Ms. McVay</b>	<b>Payments per Bank Records</b>	<b>Difference</b>
2001	\$ 2,160.00	-	2,160.00
2002	10,565.79	7,000.00	3,565.79
2003	1,932.40	-	1,932.40
2004	1,315.38	-	1,315.38
2005	657.00	461.00	196.00
2006	730.00	1,770.50	(1,040.50)
2007*	-	314.00	(314.00)
Total	\$ 17,360.57	9,545.50	7,815.07

\* - Through September 30, 2006.

**Table 12** includes the amounts Ms. McVay reported to the Council as payments made on the loan between December 2000 and May 2006. The amounts were included on City Treasurer reports and totaled \$17,360.57.

As illustrated by the **Table**, if the payments reported by Ms. McVay had been applied to the loan, the balance owed on September 30, 2006 would be \$7,815.07 less than the \$10,454.50 balance reported by the bank at September 30, 2006. Because of the lack of records available from the City, we are unable to determine how much was actually collected from renting the Community Center and the fundraising events which should have been paid to the bank. As a result, the \$7,815.07 difference between the amount reported to the Council by Ms. McVay and the amount actually paid to the bank has been included in **Exhibit A**.

## **ADMINISTRATIVE OVERSIGHT**

**Financial Reporting – Monthly Treasurer's Report** – During our review of the City's bank statements and the monthly Treasurer's reports prepared by Ms. McVay for the Council, we identified significant variances.

**Table 13** compares the bank balances reported to the Council by Ms. McVay to the actual bank balances obtained from bank statements. The City's bank balances will vary from the balances on the bank statements due to reconciling items, such as deposits in transit and outstanding checks. However, we reviewed the monthly statements and did not identify any reconciling items large enough to account for the variances identified. Additionally, for 9 months, the amount as reported by Ms. McVay as the beginning balance did not reconcile to the prior month's ending balance.

**Table 13**

<b>Description</b>	<b>June 2002</b>	<b>June 2003</b>	<b>June 2004</b>	<b>June 2005</b>	<b>June 2006</b>
<u>Ms. McVay's Monthly Report to the Council:</u>					
Cash fund balance	\$ 66,801.00	51,139.47	42,633.31	47,534.34	48,011.52
<u>Bank Statements:</u>					
First State Bank:					
Savings	15,864.89	16,100.61	16,237.67	7,315.76	7,385.11
Checking	21,074.67	12,319.32	5,389.03	5,514.11	8,809.12
Sewer Reserve CD	11,000.00	11,000.00	11,000.00	11,000.00	11,000.00
Subtotal	47,939.56	39,419.93	32,626.70	23,829.87	27,194.23
Variance	\$ 18,861.44	11,719.54	10,006.61	23,704.47	20,817.29

We also confirmed all payments sent to the City from the State of Iowa. The majority of the payments were from the Iowa Department of Transportation for Road Use Tax collected and distributed to cities. In addition, the City received property tax replacement and miscellaneous grant revenues. We compared each receipt from the State of Iowa to the Treasurer's report and deposit in the City's checking account and determined all amounts were properly deposited to the City's account.

The amounts reported by Ms. McVay on the Treasurer's report rarely agreed with the amounts received and deposited to the City's checking account. With a few exceptions, for 57 of 75 months reviewed, the amount reported in the Treasurer's report was less than the amount of Road Use Tax received and deposited. The differences are summarized in **Table 14**.

**Table 14**

<b>Fiscal Year</b>	<b>Amount Received</b>	<b>Amount Reported</b>	<b>Difference</b>
2001	\$ 12,998.50	11,056.64	1,941.86
2002	11,293.83	14,999.73	(3,705.90)
2003	13,318.72	8,209.72	5,109.00
2004	11,755.66	10,442.09	1,313.57
2005	11,678.01	11,160.89	517.12
2006	11,735.96	10,935.95	800.01
2007*	3,096.40	2,532.99	563.41
Total	\$ 75,877.08	69,338.01	6,539.07

\* - Through September 30, 2006.

**IPERS Contributions** - We contacted a representative of the Iowa Public Employees' Retirement System (IPERS) and determined neither the employer's or employee's share of IPERS contributions had been made for either Mr. or Ms. McVay during the period of our investigation. IPERS regulations require all City Clerks participate in IPERS. In addition, Ms. McVay did not file required wage reports with IPERS. Based on our discussions with an IPERS representative, IPERS does not plan to require the City to remit the past-due IPERS contributions.

**Payroll Taxes** - Based on our review of the warrants issued to Mr. and Ms. McVay, it does not appear payroll taxes were withheld from their salaries. We did not identify any payments to the Internal Revenue Service for withholdings for the period of our investigation. We are unable to determine if Ms. McVay filed the required payroll tax reports or annual W-2 documents with the IRS. A copy of our report will be filed with the Iowa Department of Revenue for its review.

**State Income Offsets** - As previously mentioned, the majority of revenues received from the State of Iowa are for Road Use Tax. However, if the City owes money to other entities, such as sales tax for utilities, the State may use income offsets to recoup amounts owed to the State. During our review, we identified 4 instances in which the City failed to receive its full Road Use Tax allotment because the funds were offset to collect sales tax that had not been remitted.

**Table 15** summarizes the amount of the original Road Use Tax allotments which were to be received by the City and the amounts which were actually remitted to the City. Ms. McVay was responsible for ensuring the City was in compliance with sales tax remittances. We are unable to determine if the amount of sales tax offset by the State was collected by the City but not remitted to the State or if the sales tax was not collected by the City Clerk as it should have been. As a result, we have not included the \$3,069.55 offset amount in **Exhibit A**.

<b>Table 15</b>			
<b>Month and Year</b>	<b>Original Warrant</b>	<b>Offset Warrant</b>	<b>Difference</b>
September 2002	\$ 1,087.12	665.52	421.60
March 2005	1,268.73	32.53	1,236.20
January 2006	960.80	-	960.80
February 2006	1,175.61	881.66	293.95
March 2006	1,365.67	1,208.67	157.00
Total	\$ 5,857.93	2,788.38	3,069.55

**Council Minutes** - During our review of Council meeting minutes, we determined minutes for July 1, 2000 through October 9, 2006 Council meetings were not signed. In addition, minutes were not readily available from the City. Certain Council minutes were obtained from members of the Council or citizens of the community.

**Bank Account Transfers** - Using the bank statements for the City's accounts, we reviewed all transfers between the accounts and identified transfers which totaled \$9,698.26. We were unable to identify the Council's approval of the transfers in the minutes of Council meetings. Because the transfers were made to another City account, the transfers have not been included in **Exhibit A**. Based on our review of the City's bank statements, it appears the transfers were made to avoid deficit balances in the City's checking account.

**Sugar Creek and Washington Township Payments** - Sugar Creek and Washington Townships make semi-annual payments to the City for fire protection. An official we spoke with from the Searsboro Fire Department had concerns all proceeds from the townships had

not been properly allocated to the Fire Fund and reported on the City's Treasurer's Report prepared by Ms. McVay. The Fire Chief provided a listing of the amounts paid to the City from Sugar Creek and Washington Townships. The listings were obtained from the townships.

Because images of deposit slips were not available from the bank prior to May 29, 2004, we were unable to determine if amounts received for fiscal years 2001 through 2004 were properly deposited. For fiscal years 2005 through 2007, we were able to verify the amounts were deposited to the City's checking account by reviewing images of deposit slips. The Fire Chief stated he believes all funds were properly deposited to the City's account, but the funds may not have been identified as Fire Department funds. **Table 16** compares the amounts received from Sugar Creek and Washington Townships to the amounts reported as remitted to the City and allocated to the Fire Fund on the Treasurer's Report prepared by Ms. McVay.

**Table 16**

<b>Fiscal Year</b>	<b>Payments Reported by Sugar Creek Township</b>	<b>Payments Reported by Washington Township</b>	<b>Total</b>	<b>Payments Reported on Treasurer's Report</b>	<b>Difference</b>
2001	\$ 6,380.39	2,609.39	8,989.78	7,510.38	1,479.40
2002	6,452.05	2,947.35	9,399.40	9,399.40	-
2003	7,770.41	3,367.65	11,138.06	11,138.06	-
2004	8,919.26	3,924.39	12,843.65	12,843.65	-
2005	12,796.70	3,747.62	16,544.32	16,544.32	-
2006	8,714.65	5,243.15	13,957.80	10,139.51	3,818.29
2007	-	326.22	326.22	-	326.22
Total	\$ 51,033.46	22,165.77	73,199.23	67,575.32	5,623.91

As illustrated by the **Table**, fiscal years 2001 and 2007 have differences between the amounts paid by the townships and the amounts reported on the Treasurer's Reports. Based on the amounts reported as allocated to the Fire Fund on the Treasurer's reports, it appears payments to the City from the townships totaling \$5,623.91 may not have been properly allocated to the Fire Fund.

## **Recommended Control Procedures**

As part of our investigation, we reviewed the procedures used by the City of Searsboro to process receipts, disbursements and payroll. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from errors or irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the City's internal controls.

A. Segregation of Duties – An important aspect of internal control is the segregation of duties among individuals to prevent one person from handling duties which are incompatible. The City Clerk had control over each of the following areas for the City:

- (1) Cash – preparation of bank account reconciliations, recording transactions and custody.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (4) Disbursements – warrant preparation, signing, distribution and posting.
- (5) Payroll – check preparation, check signing, distribution and posting.
- (6) Financial reporting – preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of staff. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. In addition, the Council should review financial records, reconciliations and supporting documentation for accounting records on a periodic basis. Evidence of the reviews should be indicated by initials of the independent reviewer and the date of the review.

The City required dual signatures on warrants. However, support for the payments was not reviewed by an independent party. Warrants should not be signed until a specific payee and amount have been designated and the cosigner has reviewed the related supporting documentation to ensure the payment is appropriate. The review should include comparing invoices and supporting documentation to the warrant.

B. Incomplete City Records – Very limited financial records were maintained by the City for the period of our investigation.

- Receipts and disbursements were not journalized and disbursements were not supported by invoices or other appropriate documentation. Not all disbursements were approved by the Council. Specifically, a number of disbursements paid to the former City Clerk and former Sanitary Sewer Operator were not supported or were for an improper amount.
- Pre-numbered receipts were not issued for collections.
- Monthly bank account reconciliations could not be located.
- Monthly financial reports detailing bank balances submitted to the Council were not supported by the bank statements or accounting records.



- Accounting records were not maintained on a current basis. In addition, certain accounting records were not retained.

Recommendation – The City should establish formal accounting records to properly account for City financial transactions, such as receipts, disbursements and payroll. Receipt and disbursement journals should be established to categorize collections and disbursements. All disbursements should be approved prior to payment and documented in the minutes. All payments should be supported by invoices or other appropriate documentation.

The City Clerk should issue pre-numbered receipts for all collections and account for the numerical sequence of all receipts.

City officials should also implement procedures to ensure bank statements are delivered to and reviewed by an official not responsible for collecting or disbursing City funds.

- C. Utility Records – Documentation of billings, collections, reconciliations and delinquency listings was not maintained. As a result, we are unable to determine if utility collections were properly billed, collected and deposited.

Recommendation – Procedures should be established to ensure utilities are properly billed, collected, deposited and reconciled for each billing period. The Council or an independent person designated by the Council should review the reconciliations and monitor delinquencies.

- D. Payroll Withholdings – The employee's share of FICA and Iowa Public Employees' Retirement System (IPERS) contributions were not withheld from the former City Clerk's or her husband's payroll checks. Additionally, the City's share of IPERS was not remitted. We confirmed with an IPERS representative payment on behalf of Diana or Larry McVay has not been received from the City. Also, the required IPERS reports were not filed.

In addition, we did not find evidence W-2's or 941 payroll reports had been prepared to report wages earned by City employees.

Recommendation – The City should consult with IPERS officials to determine what action is necessary to comply with IPERS regulations. In addition, the City should implement procedures to ensure required payroll withholdings are made from employee pay and proper tax forms are completed and filed as required.

- E. Council Minutes – An official signed copy of the minutes was not available at the City for all Council meetings. The minutes reviewed during fieldwork were obtained from City officials and did not always contain an accurate and detailed listing of all individual bills approved.

Recommendation – All disbursements should be presented to the Council for approval. The approved bill listing should be included in the signed minutes and published within 15 days as required by section 372.13(6) of the *Code of Iowa*.

- F. Written Policies and Procedures – The City does not have written accounting policies and procedures.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personnel.

- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- G. Electronic Check Retention – Section 554D.114 of the *Code of Iowa* allows the City to retain cancelled checks/warrants in electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check/warrant. The City did not retain electronic images of the fronts and backs of cancelled warrants.

Recommendation – The City should retain each cancelled warrant in accordance with section 554D.114 of the *Code of Iowa*.

- H. City Financial Management Information – Monthly financial reports, including fund balances and comparisons of actual results to budget by function, were not consistently compiled from accounting records and provided to the Council for approval.

Procedures do not exist to ensure the accounting system includes all transactions applicable to the reporting period. Receipts are not verified to deposits, warrants issued are not compared to warrants clearing the bank and the receipts and warrants issued are not compared to the warrant register, which should maintain a running book balance.

Recommendation – To improve financial accountability and control, a monthly report should be submitted to the Council showing beginning balance, receipts, disbursements, transfers and ending balance for each individual fund. To provide better control over budgeted disbursements and the opportunity for timely amendments to the budget, the City Clerk's monthly financial reports to the Council should include comparisons to the certified budget by function.

Procedures should be established to ensure the accounting system includes all transactions applicable to the reporting period and receipts, disbursements and transfers are correctly coded.

A monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding warrants should be prepared each month and retained.

Also, to provide better financial information and control and to assist in locating and correcting errors in a timely manner, the computer information should be reconciled to receipt and disbursement printouts on a monthly basis.

- I. Charge Accounts – The City has charge accounts established with several business in and around Searsboro and Grinnell. The City has not adopted a formal policy to regulate the use of the charge accounts, including limiting which employees can charge items and establishing dollar limits.

Recommendation – The City should adopt a formal written policy regulating who is authorized to obligate the City on charge accounts. At a minimum, the policy should address who is authorized to use charge accounts and for what purpose, as well as the types of supporting documentation required to substantiate charges.

- J. Road Use Tax – The former City Clerk did not maintain records sufficient to readily determine if the Road Use Tax allocated to the City by the State of Iowa was used for allowable purposes. Based on our review of disbursements, it appears the City had allowable disbursements sufficient to properly use all the Road Use Tax received from the State.

Recommendation – The City should establish procedures to ensure the use of Road Use Tax is properly documented and allowable.

- K. Public Purpose – During our review of disbursements, we identified \$381.25 of purchases for items such as flower arrangements and memorials which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation – According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Council should determine and document the public purpose served by these expenditures at the time of approval.

- L. Township Payments for Fire Protection – Sugar Creek and Washington Townships make semi-annual payments to the City for fire protection. The amounts reported for the Fire Fund on the Treasurer's Report for fiscal years 2001 and 2007 do not agree with the payments made by the townships. The Treasurer's reports prepared by Ms. McVay reported \$5,623.91 less than the amounts received from the townships.

Recommendation – The Council, in conjunction with Fire Department officials, should determine all funds have been properly allocated to the Fire Fund.

**Report on Special Investigation  
of the  
City of Searsboro**

Report on Special Investigation of the  
City of Searsboro

Summary of Findings  
For the period July 1, 2000 through October 31, 2006

Description	Exhibit/Table/ Page Number	Amount		
		Improper	Unsupported	Total
Improper and Unsupported Disbursements:				
Warrants issued to Diana McVay	Exhibit B	\$ 44,606.83	-	44,606.83
Warrants issued to Larry McVay	Exhibit C	8,742.10	-	8,742.10
Additional warrant to Diana McVay	Page 12	425.29	-	425.29
Finance charges and fees	Table 6	2,691.43	-	2,691.43
Bank overdraft charges	Table 7	378.00	-	378.00
Unidentified disbursements	Page 14	-	310,746.24	310,746.24
Total improper and unsupported disbursements		56,843.65	310,746.24	367,589.89
Undeposited Collections:				
Estimated utility collections	Table 11	28,915.55	-	28,915.55
Community Center rental and fundraising	Table 12	7,815.07	-	7,815.07
Total undeposited collections		36,730.62	-	36,730.62
Total		\$ 93,574.27	310,746.24	404,320.51

Report on Special Investigation of the  
City of Searsboro

Warrants Issued to Diana McVay  
For the period July 1, 2000 through October 31, 2006

Per Warrant			Authorized Amount	Improper Amount
Warrant Number	Date	Amount		
5181	07/13/00	\$ 905.25	200.00	705.25
5207	08/08/00	902.95	200.00	702.95
5222	09/11/00	904.16	200.00	704.16
##	##	922.58	200.00	722.58
5268	11/13/00	910.69	200.00	710.69
5290	12/17/00	922.59	200.00	722.59
5315	01/08/01	902.39	200.00	702.39
5344	02/12/01	903.69	200.00	703.69
5361	03/12/01	910.36	200.00	710.36
5384	04/09/01	906.27	200.00	706.27
5399	05/14/01	945.55	200.00	745.55
5422	06/11/01	905.25	200.00	705.25
Subtotal for FY01		10,941.73	2,400.00	8,541.73
5440	07/09/01	906.58	200.00	706.58
5461	08/13/01	904.16	200.00	704.16
5467	08/13/01	300.00	-	300.00
5485	09/10/01	943.39	200.00	743.39
5503	10/02/01	945.39	200.00	745.39
5519	11/12/01	960.19	200.00	760.19
5539	12/10/01	962.69	200.00	762.69
5564	01/14/02	910.56	200.00	710.56
5585	02/11/02	942.25	200.00	742.25
5603	03/12/02	928.59	200.00	728.59
5625	04/08/02	950.69	200.00	750.69
5649	05/13/02	922.50	200.00	722.50
5670	06/10/02	968.60	200.00	768.60
Subtotal for FY02		11,545.59	2,400.00	9,145.59

<b>Per Bill Listing</b>	<b>Calculated</b>
<b>Total to</b>	<b>Reimbursement</b>
<b>Diana McVay</b>	<b>Amount</b>
205.25	5.25
202.95	2.95
^	^
202.58	2.58 *
210.69	10.69
202.59	2.59 *
202.39	2.39
203.69	3.69
210.36	10.36
206.27	6.27
203.55	3.55 *
205.25	5.25
2,255.57	55.57
206.58	6.58
204.16	4.16
-	-
205.39	5.39 *
205.39	5.39
206.19	6.19 *
212.69	12.69 *
210.56	10.56
208.25	8.25 *
203.59	28.59
205.69	5.69 *
202.50	2.50 *
203.60	3.60 *
2,474.59	99.59

Report on Special Investigation of the  
City of Searsboro

Warrants Issued to Diana McVay  
For the period July 1, 2000 through October 31, 2006

Per Warrant			Authorized Amount	Improper Amount
Warrant Number	Date	Amount		
5685	07/08/02	962.59	200.00	762.59
5708	08/12/02	903.20	200.00	703.20
5727	09/09/02	902.55	200.00	702.55
5745	10/14/02	902.29	200.00	702.29
5768	11/11/02	904.69	200.00	704.69
5792	12/09/02	907.55	200.00	707.55
5824	01/13/03	905.45	200.00	705.45
5845	02/10/03	906.00	200.00	706.00
5867	03/10/03	915.65	200.00	715.65
5887	04/14/03	902.00	200.00	702.00
5907	05/12/03	903.65	200.00	703.65
5921	06/09/03	903.65	200.00	703.65
Subtotal for FY03		10,919.27	2,400.00	8,519.27
5938	07/14/03	904.80	200.00	704.80
5963	08/11/03	903.58	200.00	703.58
5990	09/08/03	902.15	200.00	702.15
6005	10/27/03	903.78	200.00	703.78
6029	11/10/03	905.90	200.00	705.90
6051	12/08/03	902.65	200.00	702.65
6096	01/12/04	903.97	200.00	703.97
6105	02/09/04	902.00	200.00	702.00
6128	03/08/04	902.00	200.00	702.00
6147	04/12/04	904.62	200.00	704.62
6173	05/13/04	903.32	200.00	703.32
6195	06/14/04	904.65	200.00	704.65
Subtotal for FY04		10,843.42	2,400.00	8,443.42



<b>Per Bill Listing</b>	<b>Calculated</b>
<b>Total to</b>	<b>Reimbursement</b>
<b>Diana McVay</b>	<b>Amount</b>
206.59	6.59 *
203.20	3.20
202.55	2.55
202.55	2.55 *
204.69	4.69
207.55	7.55
205.45	5.45
206.00	6.00
^	^
^	^
203.65	3.65
203.65	3.65
2,045.88	45.88
204.80	4.80
203.58	3.58
202.15	2.15
203.78	3.78
205.90	5.90
202.65	2.65
203.97	3.97
202.00	2.00
202.00	2.00
204.62	4.62
203.32	3.32
204.65	4.65
2,443.42	43.42

Report on Special Investigation of the  
City of Searsboro

Warrants Issued to Diana McVay  
For the period July 1, 2000 through October 31, 2006

Per Warrant			Authorized Amount	Improper Amount
Warrant Number	Date	Amount		
6219	07/14/04	906.14	200.00	706.14
6239	08/16/04	921.38	200.00	721.38
6266	09/13/04	903.60	200.00	703.60
6285	10/12/04	903.65	200.00	703.65
6304	11/09/04	902.24	200.00	702.24
6322	12/14/04	904.16	200.00	704.16
6364	01/11/05	903.89	200.00	703.89
6385	02/09/05	906.90	200.00	706.90
6402	03/14/05	903.90	200.00	703.90
6420	04/12/05	906.70	200.00	706.70
6430	05/10/05	903.56	200.00	703.56
6445	06/14/05	921.56	200.00	721.56
Subtotal for FY05		10,887.68	2,400.00	8,487.68
6464	07/14/05	904.68	200.00	704.68
6479	08/16/05	903.60	200.00	703.60
6493	09/12/05	202.50	200.00	2.50
6512	10/18/05	202.16	200.00	2.16
6535	11/15/05	203.45	200.00	3.45
6544	12/12/05	203.45	200.00	3.45
6569	01/09/06	202.75	200.00	2.75
6586	02/13/06	201.15	200.00	1.15
6604	03/13/06	202.00	200.00	2.00
6621	04/10/06	204.40	200.00	4.40
6642	05/08/06	239.00	200.00	39.00
6656	06/12/06	200.00	200.00	-
Subtotal for FY06		3,869.14	2,400.00	1,469.14
6675	07/10/06	200.00	200.00	-
6693	08/14/06	200.00	200.00	-
6725	09/11/06	200.00	200.00	-
Subtotal for FY07		600.00	600.00	-
Total		\$ 59,606.83	15,000.00	44,606.83

## - Information is not available.

^ - Bill listing not available for review.

\* - Amount of reimbursement per the bill listing is different than the amount paid in excess of salary.

<b>Per Bill Listing</b>	<b>Calculated</b>
<b>Total to</b>	<b>Reimbursement</b>
<b>Diana McVay</b>	<b>Amount</b>
206.14	6.14
221.38	21.38
203.60	3.60
203.65	3.65
202.24	2.24
204.16	4.16
203.89	3.89
206.90	6.90
203.90	3.90
206.70	6.70
203.56	3.56
221.56	21.56
2,487.68	87.68
204.68	4.68
203.60	3.60
202.50	2.50
202.16	2.16
203.45	3.45
203.45	3.45
202.75	2.75
201.15	1.15
202.00	2.00
204.40	4.40
239.00	39.00
200.00	-
2,469.14	69.14
200.00	-
200.00	-
207.95	7.95 *
607.95	7.95
14,784.23	409.23

Report on Special Investigation of the  
City of SearsboroWarrants Issued to Larry McVay  
For the period July 1, 2000 through October 31, 2006

Per Warrant			Authorized Amount	Improper Amount
Warrant Number	Date	Amount		
##	##	\$ 100.00	100.00	-
##	##	100.00	100.00	-
5221	09/11/00	100.00	100.00	-
##	##	100.00	100.00	-
##	##	100.00	100.00	-
##	##	100.00	100.00	-
5314	01/08/01	200.00	100.00	100.00
5343	02/12/01	200.00	100.00	100.00
5360	03/12/01	300.00	100.00	200.00
5383	04/09/01	300.00	100.00	200.00
5398	05/14/01	100.00	100.00	-
5421	06/11/01	200.00	100.00	100.00
Subtotal for FY01		1,900.00	1,200.00	700.00
5439	07/09/01	200.00	100.00	100.00
5460	08/13/01	300.00	100.00	200.00
5484	09/10/01	400.00	100.00	300.00
5502	10/08/01	400.00	100.00	300.00
5518	11/12/01	400.00	100.00	300.00
5538	12/10/01	400.00	100.00	300.00
5563	01/14/02	400.00	100.00	300.00
5584	02/11/02	400.00	100.00	300.00
5602	03/12/02	400.00	100.00	300.00
5624	04/08/02	400.00	100.00	300.00
5648	05/13/02	400.00	100.00	300.00
5669	06/10/02	400.00	100.00	300.00
Subtotal for FY02		4,500.00	1,200.00	3,300.00

Report on Special Investigation of the  
City of Searsboro

Warrants Issued to Larry McVay  
For the period July 1, 2000 through October 31, 2006

Per Warrant			Authorized Amount	Improper Amount
Warrant Number	Date	Amount		
5684	07/08/02	400.00	100.00	300.00
5707	08/12/02	400.00	100.00	300.00
##	##	100.00	100.00	-
5744	12/14/02	100.00	100.00	-
5767	11/11/02	200.00	100.00	100.00
5791	12/09/02	400.00	100.00	300.00
5823	01/13/03	400.00	100.00	300.00
5844	02/10/03	300.00	100.00	200.00
5866	03/10/03	300.00	100.00	200.00
5886	04/14/03	400.00	100.00	300.00
5906	05/12/03	200.00	100.00	100.00
5920	06/09/03	100.00	100.00	-
Subtotal for FY03		3,300.00	1,200.00	2,100.00
5937	07/14/03	100.00	100.00	-
5962	08/11/03	100.00	100.00	-
5989	09/08/03	300.00	100.00	200.00
6004	10/27/03	200.00	100.00	100.00
6028	11/10/03	100.00	100.00	-
6050	12/08/03	200.00	100.00	100.00
6095	01/12/04	200.00	100.00	100.00
6104	02/09/04	200.00	100.00	100.00
6127	03/08/04	100.00	100.00	-
##	##	100.00	100.00	-
6172	05/10/04	100.00	100.00	-
6193	06/14/04	100.00	100.00	-
Subtotal for FY04		1,800.00	1,200.00	600.00

Report on Special Investigation of the  
City of Searsboro

Warrants Issued to Larry McVay  
For the period July 1, 2000 through October 31, 2006

<b>Per Warrant</b>			<b>Authorized Amount</b>	<b>Improper Amount</b>
<b>Warrant Number</b>	<b>Date</b>	<b>Amount</b>		
6218	07/14/04	200.00	100.00	100.00
6238	08/16/04	200.00	100.00	100.00
6265	09/13/04	200.00	100.00	100.00
6284	10/12/04	300.00	100.00	200.00
6303	11/09/04	100.00	100.00	-
6321	12/14/04	300.00	100.00	200.00
6363	01/11/05	300.00	100.00	200.00
6384	02/09/05	300.00	100.00	200.00
^	^	-	100.00	(100.00)
6419	04/12/05	300.00	100.00	200.00
6429	05/10/05	300.00	100.00	200.00
6444	06/14/05	300.00	100.00	200.00
Subtotal for FY05		2,800.00	1,200.00	1,600.00
6463	07/14/05	300.00	100.00	200.00
6478	08/16/05	300.00	100.00	200.00
6492	09/12/05	100.00	100.00	-
6511	10/18/05	100.00	100.00	-
6534	11/15/05	142.10	100.00	42.10
6543	12/12/05	100.00	100.00	-
6567	01/09/06	100.00	100.00	-
6585	02/13/06	100.00	100.00	-
6603	03/13/06	100.00	100.00	-
6620	04/10/06	100.00	100.00	-
6641	05/08/06	100.00	100.00	-
6655	06/12/06	100.00	100.00	-
Subtotal for FY06		1,642.10	1,200.00	442.10
6674	07/10/06	100.00	100.00	-
6692	08/14/06	100.00	100.00	-
6723	09/11/06	100.00	100.00	-
Subtotal for FY07		300.00	300.00	-
Total		\$ 16,242.10	7,500.00	8,742.10

## - Information is not available.

^ - We did not identify a warrant issued to Larry McVay in March 2005.

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Report on Special Investigation of the  
City of Searsboro

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director  
Ernest H. Ruben, Jr., CPA, Manager  
Deborah J. Moser, CPA, Senior Auditor II  
Shelley M. Allen, Assistant Auditor

A handwritten signature in black ink that reads "Tamera S. Kusian". The signature is written in a cursive style with a prominent horizontal line at the beginning of the first name.

Tamera S. Kusian, CPA  
Deputy Auditor of State

**Report on Special Investigation  
of the  
City of Searsboro**



## **Appendix**

# Appendix 1

## Report on Special Investigation of the City of Searsboro

Copies of Selected Warrants Issued to Diana McVay

FUND	AMOUNT			
General		<b>Warrant / Check</b> <b>CITY OF SEARSBORO, IOWA</b>  <b>6479</b>		
Road Use Tax				
Debt Service				
Water Utility				
Sewer Utility				
Electric Utility				
Fire				
Tort Liability				
Sales Tax				
<b>TOTAL</b>				

FIRST STATE BANK Lynnvile, Iowa		<b>Warrant / Check</b> <b>CITY OF SEARSBORO, IOWA</b>		<b>6479</b>	
------------------------------------	--	--	--	-------------	--

PAY	DOLLARS		
PAY TO THE ORDER OF	DATE	WARRANT NO.	AMOUNT
<i>Diana McVay</i>	<i>8/16/05</i>	<i>6479</i>	<i>203.60</i>

BY ORDER OF THE COUNCIL

\_\_\_\_\_

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CLERK

**NON-NEGOTIABLE**

VENDOR \_\_\_\_\_

THIS IS YOUR MEMORANDUM IN PAYMENT OF ITEMS LISTED BELOW. DETACH BEFORE DEPOSITING.

INVOICE DATE	INVOICE NUMBER	AMOUNT	ACCOUNT NAME	ACCOUNT NUMBER	AMOUNT

EARNINGS STATEMENT					PERIOD ENDING						
HOURS		EARNINGS			DEDUCTIONS						
REG.	O. T.	REGULAR	OVERTIME	GROSS	FED. W. H.	F.I.C.A.	I.P.E.R.S.	STATE W. H.	INS.		

MATT PARROTT & SONS CO., WATERLOO, IOWA    FORM 38-1P (HR) B 934    CITY OF SEARSBORO, IOWA 50242

Report on Special Investigation of the  
City of Searsboro

Copies of Selected Warrants Issued to Diana McVay

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
TOTAL	

FIRST STATE BANK  
Lynnville, Iowa

Warrant / Check  
CITY OF SEARSBORO, IOWA

6479

PAY *Nine hundred and three and 60/100* DOLLARS

PAY TO THE ORDER OF *Diana McVay* DATE *8/16/05* WARRANT NO *6479* AMOUNT *903.60*

BY ORDER OF THE COUNCIL *[Signature]* MAYOR

CLERK

0000090360

08/19/2005

903.60

103400 0710 1 000 1  
103100 0000 >072400528<  
000-523-9498

0537091890  
0730-0033-8  
08192005  
ENT=1493 TRC=1294 PK=26

AUG 19 05

CITIZENS BANK  
FLINT, MI 48901  
072400 02004

2706 14249

AUG 18 2005

CBA 6318  
0233

08/19/2005

903.60

# Appendix 1

## Report on Special Investigation of the City of Searsboro

Copies of Selected Warrants Issued to Diana McVay

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
TOTAL	

**FIRST STATE BANK**  
Lynnvile, Iowa

**Warrant / Check**  
**CITY OF SEARSBORO, IOWA**

**6420**

PAY		DOLLARS	
PAY TO THE ORDER OF	DATE	WARRANT NO.	AMOUNT
<i>Diana McVay</i>	4/12/65	6420	206 70

BY ORDER OF THE COUNCIL

*[Signature]* MAYOR

*[Signature]* CLERK

**NON-NEGOTIABLE**

VENDOR

THIS IS YOUR MEMORANDUM IN PAYMENT OF ITEMS LISTED BELOW. DETACH BEFORE DEPOSITING.

INVOICE DATE	INVOICE NUMBER	AMOUNT	ACCOUNT NAME	ACCOUNT NUMBER

EARNINGS STATEMENT					PERIOD ENDING				
HOURS		EARNINGS			DEDUCTIONS				NET AMOUNT
REG.	O. T.	REGULAR	OVERTIME	GROSS	FED. W. H.	F.I.C.A.	I.P.E.R.S.	STATE W. H.	

MATT PARROTT & SONS CO., WATERLOO, IOWA FORM 38-1P (HR) B 934

CITY OF SEARSBORO, IOWA 50242

Report on Special Investigation of the  
City of Searsboro

Copies of Selected Warrants Issued to Diana McVay

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
TOTAL	

FIRST STATE BANK  
Lynnvile, Iowa

Warrant / Check  
CITY OF SEARSBORO, IOWA

6420

PAY Nine hundred six and 70/100 DOLLARS

PAY TO THE ORDER OF Diana McVay DATE 4/12/05 WARRANT NO 6420 AMOUNT 906.70

BY ORDER OF THE COUNCIL [Signature] MAYOR

[Redacted] #0000090670#

0 05/02/2005 906.70

# Appendix 1

## Report on Special Investigation of the City of Searsboro

Copies of Selected Warrants Issued to Diana McVay

FUND	AMOUNT			
General		<b>Warrant / Check</b> <b>CITY OF SEARSBORO, IOWA</b> <b>6195</b>		
Road Use Tax				
Debt Service				
Water Utility				
Sewer Utility				
Electric Utility				
Fire				
Tort Liability				
Sales Tax				
<b>TOTAL</b>				

FIRST STATE BANK  
Lynnnville, Iowa

**Warrant / Check**  
**CITY OF SEARSBORO, IOWA**  
**6195**

**6195**

PAY	<i>Two hundred four and 65/100</i>	DOLLARS	
PAY TO THE ORDER OF	DATE	WARRANT NO.	AMOUNT
<i>Diana McVay</i>	<i>6/14/04</i>	<i>6195</i>	<i>204 65</i>
BY ORDER OF THE COUNCIL		MAYOR	
		CLERK	
<b>NON-NEGOTIABLE</b>			

VENDOR \_\_\_\_\_

THIS IS YOUR MEMORANDUM IN PAYMENT OF ITEMS LISTED BELOW. DETACH BEFORE DEPOSITING.

INVOICE DATE	INVOICE NUMBER	AMOUNT	ACCOUNT NAME	ACCOUNT NUMBER	AMOUNT

EARNINGS STATEMENT					PERIOD ENDING					NET AMOUNT
HOURS		EARNINGS			DEDUCTIONS					
REG.	O. T.	REGULAR	OVERTIME	GROSS	FED. W. H.	F.I.C.A.	I.P.E.R.S.	STATE W. H.	INS.	

MATT PARROTT & SONS CO., WATERLOO, IOWA FORM 38-1P (HR) B 934

CITY OF SEARSBORO, IOWA 50242

Report on Special Investigation of the  
City of Searsboro

Copies of Selected Warrants Issued to Diana McVay

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
TOTAL	

FIRST STATE BANK  
Lynnville, Iowa

Warrant/Check  
CITY OF SEARSBORO, IOWA

6195

PAY Ninety Four and 13/100 DOLLARS

PAY TO THE ORDER OF Diana McVay DATE 6/14/04 WARRANT NO. 6195 AMOUNT 904.65

BY ORDER OF THE COUNCIL Diana McVay MAYOR  
Diana McVay CLERK

#0000090465

06/22/2004 904.65

Appendix 2

Report on Special Investigation of the  
City of Searsboro

Copies of Selected Warrants Issued to Larry McVay

FUND	AMOUNT					
General						
Road Use Tax						
Debt Service						
Water Utility						
Sewer Utility						
Electric Utility						
Fire						
Tort Liability						
Sales Tax						
<b>TOTAL</b>						

**FIRST STATE BANK**  
Lynnvile, Iowa

**Warrant / Check**  
**CITY OF SEARSBORO, IOWA**

**6478**

PAY one hundred and 00/100 DOLLARS

PAY TO THE ORDER OF	DATE	WARRANT NO.	AMOUNT
<u>Larry McVay</u>	<u>8/16/05</u>	<u>6478</u>	<u>100.00</u>

BY ORDER OF THE COUNCIL [Signature] MAYOR  
[Signature] CLERK

NON-NEGOTIABLE

**VENDOR** \_\_\_\_\_

THIS IS YOUR MEMORANDUM IN PAYMENT OF ITEMS LISTED BELOW. DETACH BEFORE DEPOSITING.

INVOICE DATE	INVOICE NUMBER	AMOUNT	ACCOUNT NAME	ACCOUNT NUMBER	AMOUNT

**EARNINGS STATEMENT**

HOURS				EARNINGS			DEDUCTIONS					NET AMOUNT
REG.	O. T.	REGULAR	OVERTIME	GROSS	FED. W. H.	F.I.C.A.	I.P.E.R.S.	STATE W. H.	INS.			

MATT PARROTT & SONS CO., WATERLOO, IOWA FORM 38-1P (HR) B 934

CITY OF SEARSBORO, IOWA 50242



Report on Special Investigation of the  
City of Searsboro

Copies of Selected Warrants Issued to Larry McVay

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
TOTAL	

FIRST STATE BANK  
Lynnvillle, Iowa

**Warrant / Check**  
**CITY OF SEARSBORO, IOWA** **6478**

PAY *Three Hundred and no/100* DOLLARS

PAY TO THE ORDER OF *Larry McVay* DATE *8/16/05* WARRANT NO *6478* AMOUNT *300.00*

BY ORDER OF THE COUNCIL *[Signature]* MAYOR  
*[Signature]* CLERK

08/22/2005 300.00

8548

08/22/05

0000 63041

SHAZAM

First State Bank  
413 East Street  
Lynnvillle, IA 50153

TERMINAL 17515/REC 845069  
8-22-05

*Larry McVay*

08/22/2005 300.00

## Appendix 2

### Report on Special Investigation of the City of Searsboro

Copies of Selected Warrants Issued to Larry McVay

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
TOTAL	

**FIRST STATE BANK**  
Lynnvile, Iowa

**Warrant / Check**  
**CITY OF SEARSBORO, IOWA**

**6218**

PAY 100.00 DOLLARS

PAY TO THE ORDER OF	DATE	WARRANT NO.	AMOUNT
<u>Larry McVay</u>	<u>7/14/04</u>	<u>6218</u>	<u>100.00</u>

BY ORDER OF THE COUNCIL [Signature] MAYOR

[Signature] CLERK

**NON-NEGOTIABLE**

VENDOR \_\_\_\_\_

THIS IS YOUR MEMORANDUM IN PAYMENT OF ITEMS LISTED BELOW. DETACH BEFORE DEPOSITING.

INVOICE DATE	INVOICE NUMBER	AMOUNT	ACCOUNT NAME	ACCOUNT NUMBER	AMOUNT

EARNINGS STATEMENT					PERIOD ENDING _____					NET AMOUNT
HOURS		EARNINGS			DEDUCTIONS					
REG.	O. T.	REGULAR	OVERTIME	GROSS	FED. W. H.	F.I.C.A.	I.P.E.R.S.	STATE W. H.	INS.	

MATT PARROTT & SONS CO., WATERLOO, IOWA FORM 38-1P (HR) B 934

**CITY OF SEARSBORO, IOWA 50242**

Report on Special Investigation of the  
City of Searsboro

Copies of Selected Warrants Issued to Larry McVay

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
TOTAL	

FIRST STATE BANK  
Lynnvillle, Iowa

Warrant/Check  
CITY OF SEARSBORO, IOWA

6218

PAY Two hundred and 00/100 DOLLARS

PAY TO THE ORDER OF	DATE	WARRANT NO	AMOUNT
<u>Larry McVay</u>	<u>7/14/04</u>	<u>6218</u>	<u>200.00</u>

BY ORDER OF THE COUNCIL

[Signature] MAYOR

[Signature] CLERK

07/27/2004

200.00

## Appendix 2

### Report on Special Investigation of the City of Searsboro

Copies of Selected Warrants Issued to Larry McVay

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
<b>TOTAL</b>	

FIRST STATE BANK  
Lynnvile, Iowa

**Warrant / Check**  
**CITY OF SEARSBORO, IOWA**

**6419**

PAY	PAY TO THE ORDER OF	DATE	WARRANT NO.	AMOUNT
	<i>[Signature]</i>	4/12/05	6419	100.00

BY ORDER  
OF THE  
COUNCIL

MAYOR

CLERK

**NON-NEGOTIABLE**

VENDOR

THIS IS YOUR MEMORANDUM IN PAYMENT OF ITEMS LISTED BELOW. DETACH BEFORE DEPOSITING.

INVOICE DATE	INVOICE NUMBER	AMOUNT	ACCOUNT NAME	ACCOUNT NUMBER	AMOUNT

EARNINGS STATEMENT

PERIOD ENDING

HOURS		EARNINGS			DEDUCTIONS						NET AMOUNT
REG.	O. T.	REGULAR	OVERTIME	GROSS	FED. W. H.	F.I.C.A.	I.P.E.R.S.	STATE W. H.	INS.		

MATT PARROTT & SONS CO., WATERLOO, IOWA FORM 38-1P (HR) B 934

**CITY OF SEARSBORO, IOWA 50242**

Report on Special Investigation of the  
City of Searsboro

Copies of Selected Warrants Issued to Larry McVay

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
TOTAL	

FIRST STATE BANK  
Lynneville, Iowa

Warrant / Check  
CITY OF SEARSBORO, IOWA

6419

PAY Three hundred and 00/100 DOLLARS

PAY TO THE ORDER OF Larry McVay DATE 4/12/05 WARRANT NO 6419 AMOUNT 300.00

BY ORDER OF THE COUNCIL [Signature] MAYOR

[Signature] CLERK

05/02/2005 300.00

0

# Appendix 3

## Report on Special Investigation of the City of Searsboro

### Copies of Carbon Copies of Selected Warrants

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
<b>TOTAL</b>	

FIRST STATE BANK  
Lynnvile, Iowa

**Warrant / Check**  
**CITY OF SEARSBORO, IOWA** **5392**

PAY Four Hundred Twenty Five and 00/100 DOLLARS

PAY TO THE ORDER OF	DATE	WARRANT NO.	AMOUNT
<u>Donna L. P. Martin</u>	<u>4/9/01</u>	<u>5392</u>	<u>425.00</u>

BY ORDER OF THE COUNCIL

\_\_\_\_\_, MAYOR

\_\_\_\_\_, CLERK

**NON-NEGOTIABLE**

VENDOR \_\_\_\_\_

THIS IS YOUR MEMORANDUM IN PAYMENT OF ITEMS LISTED BELOW. DETACH BEFORE DEPOSITING.

INVOICE DATE	INVOICE NUMBER	AMOUNT	ACCOUNT NAME	ACCOUNT NUMBER	AMOUNT

EARNINGS STATEMENT

HOURS				EARNINGS		DEDUCTIONS						NET AMOUNT
REG.	O. T.	REGULAR	OVERTIME	GROSS	FED. W. H.	F.I.C.A.	I.P.E.R.S.	STATE W. H.	INS.			

MATT PARROTT & SONS CO., WATERLOO, IOWA FORM 38-1P (HR) B 934

CITY OF SEARSBORO, IOWA 50242

Actual Warrant was endorsed by the  
Poweshiek County Engineer's Office.

Report on Special Investigation of the  
City of Searsboro

Copies of Carbon Copies of Selected Warrants

FUND	AMOUNT
General	
Road Use Tax	
Debt Service	
Water Utility	
Sewer Utility	
Electric Utility	
Fire	
Tort Liability	
Sales Tax	
TOTAL	

FIRST STATE BANK  
Lynnvile, Iowa

**Warrant / Check**  
**CITY OF SEARSBORO, IOWA** **5388**

PAY Seaside Development, Inc. 300 DOLLARS

PAY TO THE ORDER OF	DATE	WARRANT NO.	AMOUNT
<u>Seaside Development, Inc.</u>	<u>4/9/01</u>	<u>5388</u>	<u>425.29</u>

BY ORDER OF THE COUNCIL

Diana McVay MAYOR  
Diana McVay CLERK

**NON-NEGOTIABLE**

VENDOR \_\_\_\_\_

THIS IS YOUR MEMORANDUM IN PAYMENT OF ITEMS LISTED BELOW. DETACH BEFORE DEPOSITING.

INVOICE DATE	INVOICE NUMBER	AMOUNT	ACCOUNT NAME	ACCOUNT NUMBER	AMOUNT

EARNINGS STATEMENT					PERIOD ENDING					NET AMOUNT
HOURS		EARNINGS			DEDUCTIONS					
REG.	O. T.	REGULAR	OVERTIME	GROSS	FED. W. H.	F.I.C.A.	I.P.E.R.S.	STATE W. H.	INS.	

MATT PARROTT & SONS CO., WATERLOO, IOWA FORM 38-1P (HR) B 934

**CITY OF SEARSBORO, IOWA 50242**

Actual warrant was payable to and  
endorsed by Diana McVay.